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E.O. 12958: DECL 4/22/2018
TAGS: EINV ECON PREL EPET ENRG IR AE
SUBJECT: A/S WELCH AND KHALDOON AL-MUBARAK DISCUSS INVESTMENTS, IRAN AND LIBYA

CLASSIFIED BY MARTIN QUINN, CHARGE D'AFFARIES A.I. FOR REASONS 1.4 (B & D).

¶1. (C) Summary: On April 20, Mubadala CEO Khaldoon Al-Mubarak told A/S Welch that he was seeing a slightly improved political risk for investment in the U.S. than he had in the summer and that ADIA's work with the U.S. Treasury and Singapore to develop best practices for Sovereign Wealth Funds was a good step. Despite that, he stressed that he was still concerned about U.S. protectionism. He noted that Libya presented a good investment opportunity given its resources and complete underdevelopment. With regard to Iran, Al-Mubarak stressed that Iran was a bad place to invest and stated that he did not believe stories saying that the Iran-Dana Gas natural gas deal was moving toward a successful conclusion. He found the investment opportunities in Libya attractive, however. Charge and Econchief also attended the meeting. End Summary.

¶2. (C) Welch asked Al-Mubarak for his assessment of the U.S. investment climate and for his thoughts with regard to the issue of Sovereign Wealth Funds (SWF). Al-Mubarak stated that Abu Dhabi's cooperation with Treasury and with Singapore developing policy principles for SWFs and investment recipient nations had been the right thing to do. Although the situation had improved since summer 2007, he opined that the problems facing foreign investors in the U.S. were "far from over." Mubadala was taking a cautious approach to U.S. investments both because of the difficult economic climate and for political risk reasons, and had no major U.S. transactions in
¶2008. He did note that Mubadala had not found any commercially viable U.S. investments in 2008 that it had shied away from for political risk reasons.

¶3. (C) Al-Mubarak explained that Mubadala's definition of risk was a subjective one related to the potential damage to the company's reputation or image or that an investment would be "over-politicized." In response to a question by A/S Welch about the types of problems UAE investors face, he raised Mubadala's non-voting stake in Carlyle. According to Al-Mubarak, opponents to a proposed Carlyle investment in a U.S. insurance company were focusing on Arab ownership as a potential weak point to exploit "national security" concerns. Al-Mubarak stressed that, even with the ongoing debates in Europe over SWF investment, he did not see the same level of protectionism.
Al-Mubarak noted his understanding that the upcoming Presidential elections made it an "unstable environment" for foreign investment. His concern, however, was whether the atmosphere of protectionism would continue into the next administration.

¶4. (C) With regard to the strength of the U.S. economy in general, Al-Mubarak said he had no doubt that both the economy and the dollar would rebound at some point. His inclination was to "duck" for a year and not overreact. He extended his analysis to the dirham-dollar peg, noting that a broader macro economic view allowed the UAEG to resist short term pressure to de-peg.

¶5. (C) Econchief took advantage of the meeting to ask about press

reporting that the Iranians and Dana Gas were finally gong to conclude their natural gas deal and to remind Al-Mubarak about long-standing USG concerns about the deal. Al-Mubarak stated that he did not see any near term prospects for the deal to become operational, not least because it did not appear as if Iran had invested in the necessary infrastructure on its side of the border. From a purely economic perspective, he argued, buying gas from Iran made sense. However, the track record for this deal was not good. Dana gas had sunk millions of dollars into infrastructure on the UAE side of the border, based on a certain price for the natural gas. The Iranians, however, had repudiated their original agreement and were demanding more money for the gas. Al-Mubarak noted that the Iranians had never stuck to any of their natural gas contracts and were facing huge internal power demands and an active debate about allowing any external gas sales. In response to A/S Welch's question about UAE economic relations with Iran, Al-Mubarak stated that trade relations were good; however, he thought that there was little UAE capital invested in Iran. The Iranian investment climate was poor, including limits on the repatriation of capital, and the Iranian ability to unilaterally change policies was also a negative, he said.

¶6. (C) A/S Welch and Al-Mubarak briefly discussed Libya. Welch noted that the Libyans were facing problems in the U.S. and were divesting from their U.S. investments. He asked whether the Libyan problems were having an impact on UAE willingness to invest in the U.S. Al-Mubarak stated that Libya's situation did not impact Abu Dhabi, but he could see that it might affect other Arab investors. He said that Mubadala viewed Libya as an attractive investment destination, given its natural resources and complete lack of infrastructure. He gave his opinion that Colonel Qaddafi still was the ultimate decision maker in the country and that he would periodically empower then dis-empower other actors in the country. He noted that during an official visit by Abu Dhabi Crown Prince Sheikh Mohammed bin Zayed Al-Nahyan (MbZ) to Libya, MbZ had met with Qaddafi. The UAEG

delegation had been about eight people, he noted, but Qaddafi met them alone, "without even a note-taker." Qaddafi's son Saif had escorted the delegation to the meeting, but did not attend.

¶7. (U) A/S Welch did not have an opportunity to clear this message.

Quinn